

**South Placer Municipal Utility District  
Management's Discussion and Analysis (Continued)  
June 30, 2011**

**FINANCIAL ANALYSIS OF THE DISTRICT**

ASSETS AND LIABILITIES

My analysis of our Financial Statements for Assets and Liabilities (page 22 of the audit) is summarized in Table2 and narrative below.

**TABLE 2- ASSETS AND LIABILITIES (IN \$ MILLION)**

ITEM	FY09/10	FY10/11	CHANGE
CURRENT ASSETS	\$ 43.78	\$ 44.97	2.72%
NON-CURRENT ASSETS	\$ 50.10	\$ 53.27	6.33%
TOTAL ASSETS	\$ 93.88	\$ 98.24	4.64%

SPMUD Total Liabilities and Net Assets increased by \$4.36M or(4.6%) over last year from \$93.88M to \$98.24M; with our cash assets increasing by \$1.19M(2.7%). This was due to an increase in service fees. The District added 0.2 miles of new sewer main and other depreciable items to our system for a total capital value of \$48.8M, net of accumulated depreciation and is reflected in our non-current assets. The total liabilities and net assets have increased by \$4,360,800, which is due mainly to the "true-up" of O&M cost over-payments for past wastewater treatment charges from the City of Roseville.

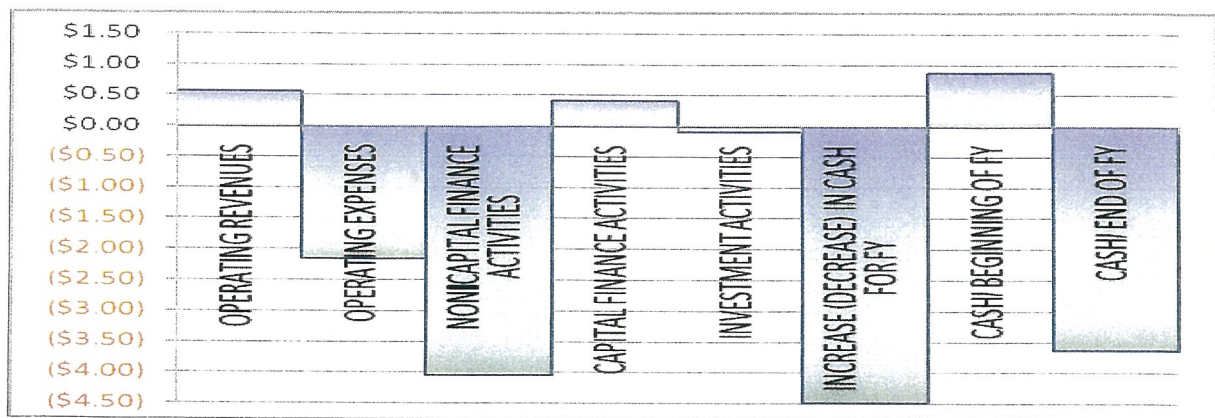
REVENUES AND EXPENSES

My analysis of our Financial Statements for the Operations Cash Flow as compared to the previous year is summarized in Table3 and CHART 2 showing it in graphic form.

**TABLE 3: OPERATIONS CASH FLOW (IN MILLION \$)**

ITEM	FY09/10	FY10/11	CHANGE
OPERATING REVENUES	\$8.12	\$8.68	6.9%
OPERATING EXPENSES	-\$7.18	-\$9.34	30.1%
NON-CAPITAL FINANCE ACTIVITIES	\$ 0.61	-\$3.43	\$4.04
CAPITAL FINANCE ACTIVITIES	-\$ 0.57	-\$0.17	\$0.40
INVESTMENT ACTIVITIES	\$0.73	\$0.63	-13.7%
INCREASE (DECREASE) IN CASH FOR FY	\$0.86	-\$3.63	-\$4.49
CASH, BEGINNING OF FY	\$40.52	\$41.38	\$0.86
CASH, END OF FY	\$41.38	\$37.74	-\$3.64

In accordance with our five-year financing plan, our monthly service charge for FY 10/11 increased by \$2.00 (\$22.00 to \$24.00) per EDU, and our local connection fee increased by \$250 (\$2,250 to \$2,500) per EDU. Our connection fees revenues decreased by over \$110,000 (41%), going from \$0.377M to \$0.267M. The Capital Contributions (developer constructed infrastructure) decreased from \$324,300 to \$10,000. These contributions added 0.2 miles of sewer main pipe, 104 new connections, and other sewer system appurtenances. This is far below our past ten year average of around 800 EDUs/year.



**CHART 2- OPERATIONS CASH FLOW (IN MILLION \$)**

## BUDGETARY HIGHLIGHTS

I compared our FY10/11 budget values with our actual revenues and expenses for the same period that were used to develop the FY11/12 budget; these amounts include funds transferred between the operating and capital accounts.

**TABLE 4- FY 10/11 BUDGET ANALYSIS (million \$)**

<i><b>OPERATING FUND</b></i>	<b>YR END</b>	<b>BUDGET</b>	<b>CHANGE</b>	<b>VARIANCE</b>
REVENUES	\$ 9.710	\$ 9.706	\$ -0.043	0.04%
EXPENSES	\$ 7.820	\$ 10.353	\$ 2.533	- 32.4%
<i><b>CAPITAL FUND</b></i>				
REVENUES	\$ 3.023	\$ 3.277	\$ -0.254	-7.75%
EXPENSES	\$ 8.536	\$ 8.191	\$ 0.345	4.38%

Table 4 shows that our actual General Fund revenues are the same as the budget estimates; our expenses were third lower because the actual wastewater treatment costs paid were lower than our estimates due to a true-up for the past six years that resulted in an overpayment of almost \$4.5M.

## CAPITAL ASSET ACTIVITY

Capital revenues were a quarter million dollars less than expected, down about 7.75%. Our actual capital expenses were \$345,000 greater than the budget amounts or 4.38% because certain projects were over our estimates. The largest Capital outlay was for the NSD project at \$4.7M, which is actually a loan to be repaid. The largest projects in the capital fund were the RWWTP Rehabilitation (\$2.61M) and various Sewer System repair projects (\$0.5M). The remaining capital outlay activity was for office and field equipment replacement and repair of existing District facilities.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Our FY11/12 General Fund Maintenance Budget is 6.4% greater than for FY10/11, the Administration is 1.6% greater and Technical Services is 12% more. The District expects to be credited with about \$2.9M in RWWTP O&M cost for true-up of past over payments. We have programmed \$3.8M in capital outlays in FY11/12, not including fund transfers. Our total unrestricted net assets are projected



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capital outlays in FY11/12, not including fund transfers. Our total unrestricted net assets are projected to increase \$1.71 million (\$40.14M - \$38.43M) by the end of the fiscal year due to the RWWTP true-up credit. The District continues its efforts to annex the NSD into SPMUD with completion of the NSD Project this year; which will add about 300 EDU's to the district. Agreements are in place for the current NSD customers to repay the \$5.56M loan for the Project.

SPMUD currently has 22 full-time and 3 part-time/temporary employees, and we have one vacant position that may be filled in the 2011/12 fiscal year. The District growth is expected to continue to slow over the next few years and there is a possibility that the State will "take away" some more of our property tax share to balance the state budget. Employees received a 2% cost-of-living-allowance (COLA) salary adjustment in FY 11/12 after two years without a COLA.

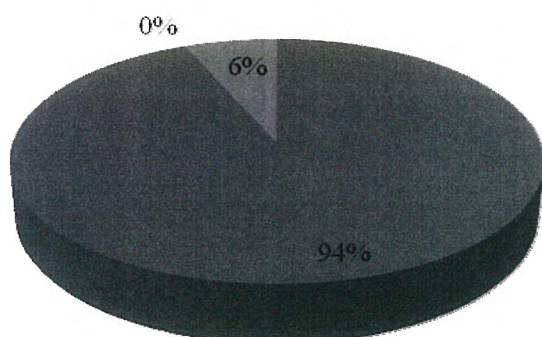
Table 5 summarizes our current year (FY 11/12) Budget outlook.

**TABLE 5**

<b>FY 2011-12 BUDGET REVIEW</b>				
<b>REVENUES</b>				
GENERAL FUND		CAPITAL FUND		TOTAL
\$ 10,098,000		\$ 701,000		\$ 10,799,000
<b>EXPENDITURES</b>				
MAINTENANCE	TREATMENT	ADMIN/TECH SVC	CAPITAL	TOTAL
\$ 1,517,800	\$ 5,218,000	\$ 2,639,200	\$ 3,824,000	\$ 13,199,000
<b>PROJECTED CASH FY10/11 YEAR-END BALANCES</b>				
GENERAL		CAPITAL		TOTAL
\$ 11,857,300		\$ 28,284,300		\$ 40,141,600

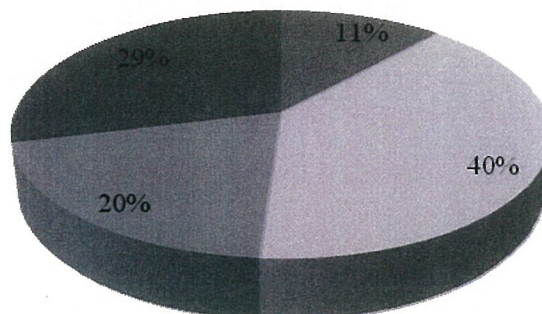
### REVENUES

■ GENERAL FUND ■ CAPITAL FUND



### EXPENDITURES

■ MAINTENANCE ■ TREATMENT  
■ ADMIN/TECH SVC ■ CAPITAL



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**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This Financial Report is designed to provide the District's customers and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability. Questions about this report should be addressed to the General Manager, in writing to: SPMUD, 5807 Springview Drive, Rocklin, CA 95677, or by telephone at (916) 786-8555, or e-mail at [cclark@spmud.ca.gov](mailto:cclark@spmud.ca.gov).

**South Placer Municipal Utility District**  
**Statement of Net Assets**  
**June 30, 2011**

**Assets**

Current Assets	
Cash and investments	\$ 37,742,284
Accounts receivable	6,967,838
Prop 1A receivable	55,812
Interest receivable	9,068
Prepaid expense	194,334
Total current assets	<u>44,969,336</u>
Noncurrent Assets	
Loan Receivable	<u>4,464,982</u>
Capital assets	
Nondepreciable capital assets	
Land	<u>435,860</u>
Depreciable capital assets	
Buildings	2,881,187
Sewer system	57,327,082
Equipment	650,352
Office furniture and equipment	190,868
Vehicles	1,226,224
Less accumulated depreciation	(13,903,349)
Total depreciable capital assets	<u>48,372,364</u>
Total capital assets (net of accumulated depreciation)	<u>48,808,224</u>
Total noncurrent assets	<u>53,273,206</u>
Total assets	<u><u>\$ 98,242,542</u></u>

**Liabilities and Net Assets**

Current Liabilities	
Accounts payable	\$ 2,958,373
Accrued payroll	84,166
Customer deposits	3,064
Total current liabilities	<u>3,045,603</u>
Long-Term Liabilities	
Due within one year	73,908
Due in more than one year	175,540
Total long-term liabilities	<u>249,448</u>
Total liabilities	<u>3,295,051</u>
Net Assets	
Invested in capital assets net of related debt	48,808,224
Unrestricted	46,139,267
Total net assets	<u>94,947,491</u>
Total liabilities and net assets	<u><u>\$ 98,242,542</u></u>

The accompanying notes are an integral part of these financial statements

**South Placer Municipal Utility District**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Fiscal Year Ended June 30, 2011**

Operating revenue	
Sewer service charges	\$ 8,599,106
Connection fees	267,268
Permits, plan check fees and inspections	<u>51,049</u>
Total operating revenues	<u>8,917,423</u>
Operating expenses	
Collection and treatment	8,665,187
Administration and general	1,032,454
Technical services	617,663
Depreciation	<u>1,067,596</u>
Total operating expenses	<u>11,382,900</u>
Operating income (loss)	<u>(2,465,477)</u>
Nonoperating revenue (expenses)	
Property taxes	607,420
Interest income	619,371
Gain on sale of fixed assets	7,279
Other revenues	<u>15,979</u>
Nonoperating revenues (expenses)	<u>1,250,049</u>
Net income before capital contributions	(1,215,428)
Capital contributions	<u>10,000</u>
Increase (Decrease) in net assets	(1,205,428)
Net assets, July 1	91,734,163
Prior period adjustment	<u>4,418,756</u>
Net assets, June 30	<u><u>\$ 94,947,491</u></u>

The accompanying notes are an integral part of these financial statements

**South Placer Municipal Utility District**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Total</u>
Cash flows from operating activities:	
Cash receipts from customers and users	\$ 8,684,901
Cash payments to suppliers for goods and services	(6,676,372)
Cash payments to employees for services	<u>(2,666,803)</u>
Net cash provided by (used in) operating activities	<u>(658,274)</u>
Cash flows from noncapital financing activities:	
Property taxes received	607,004
Other non operating revenue received	15,979
Loans receivable	(4,054,982)
Operating transfers in	2,545,568
Operating transfers out	<u>(2,545,568)</u>
Net cash provided by (used in) noncapital financing activities	<u>(3,431,999)</u>
Cash flows from capital and related financing activities:	
Gain and loss on sale of capital assets	12,015
Additions to capital assets	<u>(180,707)</u>
Net cash provided by (used in) capital financing activities	<u>(168,692)</u>
Cash flows from investing activities:	
Interest received on investments	<u>625,589</u>
Net decrease in cash and cash equivalents	(3,633,376)
Cash and cash equivalents, beginning of year	41,375,660
Cash and cash equivalents, end of year	<u><u>\$ 37,742,284</u></u>
<b>Reconciliation of cash and cash equivalents to the balance sheet:</b>	
<b>Cash and cash equivalents, June 30</b>	<u><u>\$ 37,742,284</u></u>
Reconciliation of operating income (loss) to	
net cash provided by operating activities	
Operating Income (Loss)	\$ (2,465,477)
Adjustments to reconcile operating income (loss) to	
net cash provided by operating activities:	
Depreciation	1,067,596
Changes in assets and liabilities:	
Accounts receivable	(233,279)
Prop 1A Receivable	-
Prepaid expenses	(130,246)
Accounts payables	1,090,024
Accrued payroll	9,482
Deposits	757
Compensated absences	<u>2,869</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (658,274)</u></u>

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